

**Petroleum Pipe Company Limited
In Administration (the "Company")**

Six Monthly Progress Report

In accordance with Rule 18.3 of The Insolvency Rules 2016

28 August 2023

Ernst & Young LLP



Abbreviations

The following abbreviations are used in this report:

Act	the Insolvency Act 1986
BoS	Bank of Scotland plc
CDDA	Company Directors Disqualification Act 1986
date of appointment	29 August 2018
EY	Ernst & Young LLP
HMRC	HM Revenue and Customs
Joint Administrators	To 18 June 2023: C P Dempster and G D Yuill From 19 June 2023: K S Aspin and G D Yuill
the Company	Petroleum Pipe Company Limited - in Administration
the Petrostem Group	Petrostem Group Limited (In Liquidation) and its subsidiary undertakings
the PPG Group	The Petroleum Pipe Group of companies, a structure chart for which is provided at Appendix B
the Proposals	Joint Administrators' Statement of Proposals, dated 19 October 2018
the Rules	the Insolvency (England and Wales) Rules 2016

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1. Introduction

1.1 Introduction

I write, in accordance with Rule 18.3 of the Rules, to provide creditors with a report on the progress of the Administration. This report covers the period from 29 February 2023 to 28 August 2023 and should be read in conjunction with the Proposals dated 19 October 2018 and the previous progress reports covering each six month period from 29 August 2018 to 28 February 2023.

On 29 August 2018 the Company entered Administration and C P Dempster and G D Yuill were appointed to act as Joint Administrators.

The appointment was made by the Company's Directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986. Under the terms of the appointment, any act required or authorised to be done by the Joint Administrators can be done by either of them.

As previously advised, due to C P Dempster's retirement from EY, K S Aspin of EY was appointed as Joint Administrator on 19 June 2023.

K S Aspin and G D Yuill are UK licenced insolvency practitioners and, consequently, are bound by the Insolvency Code of Ethics when carrying out all professional work relating to the administration.

Statutory information about the Company, the Administration, and the office holders is given at Appendix A.

1.2 Extensions to the initial period of appointment

In accordance with paragraph 76 of Schedule B1 to the Insolvency Act 1986, the Administration of the Company was initially due to end automatically on 28 August 2019.

As previously reported, the Administration was extended to 28 August 2020 by the consent of the Company's creditors, and subsequently to 28 August 2021 and then to 28 August 2023 by the Court. As the Joint Administrators determined that the affairs of the Administration would not be concluded by this date, during August 2023 we made an application to the Court for further extension of the period of Administration. On 9 August 2023, the Court granted that application, extending the period of the Administration by two years to 28 August 2025.

2. Progress since the six month report to 28 February 2023

2.1 Purpose of the Administration

As detailed in the Proposals and the previous progress reports, the Joint Administrators' strategy in respect of the insolvency of the Company is to:

- ▶ Cease to trade the business to which the Joint Administrators have been appointed (with the exception of one customer order where it was deemed to be in the best interests of creditors that the order be completed);
- ▶ Collect in the trade debtor balances due to the Company; and
- ▶ Market for sale the individual assets, primarily the Company's production tubing and casing stocks.

2.2 Asset realisations

2.2.1 Trade debtors

We set out below an update on the two balances being pursued through court proceedings in Nigeria:

- ▶ Lahor Limited (Lahor) (\$1.7m): We have set out the background to this debt in our previous reports. As previously reported, a hearing date was set for 24 February 2023 to allow Lahor to complete the presentation of its defence. This Court hearing date was postponed to 28 April 2023 and a further hearing was held on 9 June 2023. Lahor's evidence was heard in part before a further adjournment to 21 September 2023, where we understand Lahor's evidence will be completed. Assuming no further delays in the court proceedings, we anticipate learning the court's judgement in early 2024. The likely outcome of the legal action remains uncertain, however, we remain confident of the merits of the Company's position.
- ▶ LBD International Limited (LBD) (\$0.8m): Again, we have set out the background to this debt in our previous reports. Since our latest progress report, the judge was set to rule on LBD's request for a stay on 6 June 2023. Due to an issue at the Court, the appeal hearing was delayed to 13 June 2023 and then further adjourned to 24 January 2024.

2.2.2 Joint Administrators' investigations

As detailed in our previous reports, the Joint Administrators secured funding from a third party ("the Third Party Funder") to enable certain transactions that took place across both the PPG Group and Petrostem Group in the period prior to our appointment to be challenged (the "potential litigation").

During the period of this report, confidential terms were agreed by which the defendants (being certain former directors of the PPG and Petrostem Groups) agreed to pay \$13,000,000 (thirteen million) in respect of the potential litigation without any admission of liability.

As at the date of this report, these funds have been received by Petrostem Group Limited to be held by it pending finalisation of the allocation of the proceeds and costs between certain companies in the PPG Group and Petrostem Group. Details of the proceeds and costs attributable to the Company will be included in the next progress report.

2.2.3 Intra and intergroup balances

As at the date of appointment, the Company was due \$20.3m from companies in the Petrostem Group and PPG Group which are also subject to insolvency proceedings.

Details of claims submitted in certain insolvencies in the Petrostem Group and PPG Group, and interim distributions received to date were set out in our last report. No further distributions were received in the period covered by this report and further recoveries will depend on the outcome of those entities' insolvency processes.

As previously reported, the Company is also due \$0.1m by Innospection Group Limited (a related entity but not part of the Petrostem Group or PPG Group).

As noted previously, Administrators (from FRP Advisory) were appointed to Innospection Limited (the UK entity of the Innospection Group) in August 2022 and the Administrators completed a sale of the group's business and assets in October 2022. There were insufficient funds to enable a distribution to unsecured creditors and the Administrators resigned from office on 21 August 2023.

On 15 May 2023, Liquidators (from Begbies Traynor) were appointed to Innospection Group Limited. There is no prospect of a distribution from this insolvency and, accordingly, the Company will not recover any funds from Innospection Group.

2.3 Expenditure

In our last report we set out details of the expenses of \$659,117 (net of VAT) incurred in the period to 28 February 2023 excluding distributions to secured and preferential creditors, irrecoverable VAT and the Joint Administrators' fees and expenses. Expenses of \$40,944 were incurred in the period from 29 February 2023 to 28 August 2023. A breakdown of expenses incurred is provided at Appendices C and D to this report.

As previously reported, total expenses have exceeded the original estimate provided with the Proposals. We anticipate that total expenses (excluding expenses funded by the Third Party Funder) are now likely to be c\$901k. The increase from the estimate of \$685k in the previous progress report is principally due to increased legal costs associated with the potential litigation described at section 2.2.2 above and the Nigerian legal actions detailed at section 2.2.1 above.

As noted above, following settlement of the potential litigation, the Joint Administrators are finalising the allocation of proceeds and costs between certain companies in the PPG Group and Petrostem Group. Details of the proceeds and costs attributable to the Company will be included in the receipts and payments account in the next progress report.

2.4 Other PPG Group insolvencies

The other insolvent entities within the PPG Group are not registered in England and Wales and are therefore subject to the insolvency proceedings of other jurisdictions. They are not within the remit of this report. Notwithstanding this, the Joint Administrators recognise the inter-linked nature of the PPG Group and therefore detailed discussion of the insolvency proceedings and potential asset realisations for these entities is provided within the separate reports to the creditors of these companies which are available from the following website:

<https://www.ey.com/uk/en/services/transactions/restructuring/ey-ppg-petrostem-insolvencies>

2.5 Investigations

As noted in our previous report, the Joint Administrators performed a thorough review into the conduct of the directors in the lead up to the insolvency of the Company and on 28 November 2018 submitted their conduct report to the Insolvency Service in respect of the Company. The contents of such reports are confidential.

Following this review and lengthy correspondence with the directors, the Joint Administrators secured funding from the Third Party Funder to enable certain transactions that took place across both the PPG Group and Petrostem Group in the periods prior to our appointment to be challenged.

As detailed at paragraph 2.2.2, confidential terms were agreed by which the defendants (being certain former directors of the PPG and Petrostem Groups) agreed to pay \$13,000,000 (thirteen million) in respect of the potential litigation without any admission of liability.

Following the receipt of these funds, no further investigations are continuing.

3. Outcome for creditors

We provide below an indication of the current position with regard to creditors' claims.

3.1 Secured creditors

The principal lender to the PPG Group is Bank of Scotland plc ("BoS"). As previously reported, BoS had submitted a formal claim against the Company of \$28.0m. This debt comprised amounts directly owed by the Company to BoS and amounts due to BoS under cross-guarantees granted in favour of BoS in relation to its lending to certain companies within the Petrostem and Maxtube Groups.

The Company has granted in favour of BoS a debenture covering all assets of the Company.

As set out in our last report, we adjudicated BoS's claim at \$27.3m.

To date, we have distributed \$1.9m to BoS from the Company. The Joint Administrators anticipate BoS will be paid in full during October 2023. The Joint Administrators are currently reviewing the funds paid to BoS by each individual entity in the Petrostem and PPG Groups to assess whether those payments are proportionate to the direct debts due by each to BoS and, accordingly, which (if any) individual entities have subrogated claims in respect of payments made to satisfy the debts due to BoS.

3.2 Preferential creditors

Preferential creditor claims of \$36k in respect of claims for employees' holiday pay have been paid in full. There are no further claims from preferential creditors pending payment.

3.3 Unsecured non-preferential creditors

The Company's records indicate that non-preferential creditors may aggregate to c. \$18.5m.

Creditor claims may be higher due to contingent claims and other non-priority creditor amounts not included in the Company's records.

Following the settlement of the potential litigation as outlined in section 2.2.2, and given that BoS is expected to be paid in full, the Joint Administrators are currently in the process of determining the outcome for unsecured non-preferential creditors. There are multiple, material intercompany claims (including potential subrogated claims as explained above) across the Petrostem and PPG Groups. As such, it is currently not possible to estimate the quantum of any distributions to unsecured non-preferential creditors. We will write to all to unsecured non-preferential creditors with details of any distributions in due course.

3.4 Creditor claims

If you have a claim, please forward details together with supporting documentation (e.g. invoices, statements and agreements) to Alastair Casey at this office or by email to ppcgroup@uk.ey.com.

The proof of debt form can be downloaded from the following web site:

<https://www.ey.com/uk/en/services/transactions/restructuring/ey-ppg-petrostem-insolvencies>

Certain debts due from the Company may be preferential in accordance with Section 386 of the Insolvency Act 1986. If you consider that you have a claim in this category, please advise us immediately. If you hold any security for your claim or consider that you have title to any assets in the Company's possession, please forward details to us as soon as possible.

Any sums due to the Company arising after our appointment must be paid in full and without set-off against any debts incurred by the relevant company prior to our appointment.

3.5 The Prescribed Part

The Prescribed Part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The prescribed part applies to floating charges created on or after 15 September 2003.

As the debenture granted in favour of BoS was created on 19 June 2000, the Prescribed Part provisions do not apply to the administration of the Company. Accordingly, there will be no Prescribed Part available for distribution to the unsecured non-preferential creditors of the Company.

4. Joint Administrators' receipts and payments

A summary of the Joint Administrators' receipts and payments for the period from 29 February 2023 to 28 August 2023 is attached at Appendix C.

5. Joint Administrators' remuneration, expenses and payments to other professionals

5.1 Remuneration

The statutory provisions relating to remuneration are set out in Chapter 4, Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the website of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to the Joint Administrators.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Administrators' Fees' referred to above.

The Joint Administrators' remuneration was fixed on the basis of time properly given by the Joint Administrators and their staff in dealing with matters arising in the Administration at the hourly rates set out below (and in accordance with the fee estimate dated 19 October 2018) by a resolution of the preferential creditors and secured creditor on 21 December 2018.

In addition, the Joint Administrators were permitted to draw, as an interim claim, their remuneration for the period from the date of their appointment to Friday 5 October 2018 and thereafter to draw their remuneration four weekly in arrears subject to the provision in advance of a statement of such costs.

Grade	Hourly rate (\$)	Equivalent hourly rate (£)
Partner	855	658
Executive Director / Director	700	538
Senior Manager	590	454
Manager	490	377
Senior (Level 3)	450	346
Senior (Level 1 / 2)	355	273
Analyst	210	162
Intern	185	142

To 28 August 2023, the Joint Administrators have incurred time costs of \$1,094,568. Of this sum, \$450,000 has been approved by the secured and preferential creditors and paid.

The time costs incurred to 28 August 2023 include \$99,783 of fees which were incurred in connection with the potential litigation outlined in paragraph 2.5 above. Our time costs in respect of the potential litigation are charged based on hourly rates that are 25% higher than the rates set out above, in accordance with the funding agreement reached with the Third Party Funder.

As set out in previous reports, our time costs exceed the initial fee estimate of \$450,000. An analysis of current time costs are set out at Appendix F. The principal reason for

exceeding the initial fee estimate is time spent realising the Company's assets and our investigations into the actions of the directors in the lead up to the insolvency.

We will not draw remuneration in excess of the fee estimate without the prior approval of the secured and preferential creditors of the Company.

Attached at Appendices E to H are detailed analyses of time spent and charge out rates for each grade of staff for the various areas of work carried out to 28 August 2023 as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9.

5.2 Joint Administrators' statement of expenses incurred

During the period from our appointment to 28 August 2023, we have incurred expenses totalling \$700,060 (excluding VAT and Joint Administrators' fees and disbursements). There is a breakdown of these expenses at Appendix D of this report.

Total expenses have exceeded the original estimate provided with the Proposals. We anticipate that final expenses (excluding expenses funded by the Third Party Funder) are likely to be \$901k, which is c.\$296k higher than our original estimate.

5.3 Disbursements

Appendix D also includes a breakdown of the Joint Administrators' Category 1 and 2 disbursements.

On 21 December 2018, the Joint Administrators received the approval of the secured creditor and preferential creditors to charge and draw disbursements in accordance with the charging policy set out in Appendix H and the estimate provided with the Proposals.

To 28 August 2023, the Joint Administrators have incurred Category 1 and 2 disbursements of \$4,324, of which \$2,610 has been paid to the Joint Administrators to 28 February 2023.

5.4 Payments to other professionals

The Joint Administrators have engaged the services of the following during the course of the Administrations:

Name of firm	Nature of service	How contracted to be paid
Pinsent Masons	Legal advisors - UK and UAE	Time costs
CMS Cameron McKenna	Legal advisors - UK	Time costs
AOA Legal	Legal advisors - Nigeria	Time costs
Carey Olsen	Legal advisors - Jersey and Cayman Islands	Time costs
ANM Group	Asset safeguarding and realisation strategy	Time costs
Calash Limited	Energy sector strategy consultants	Time costs
Wallbrook Advisory Limited	Diligence	Time costs
Wynterhill LLP	Legal advice - UK	Time costs

6. Other matters

6.1 Replacement of Administrator

Due to C P Dempster's retirement from EY, K S Aspin of EY was appointed as Joint Administrator on 19 June 2023 by the Court.

6.2 Future conduct of the Administration

The Joint Administrators will continue to manage the affairs, business and property of the Company to achieve the purpose of the Administration. This will include, inter alia:

- ▶ Realising the remaining assets of the Company, most notably the books debts due to the Company by LBD and Lahor and inter / intra group debtor balances;
- ▶ Dealing with corporation tax and VAT matters, which includes filing statutory returns;
- ▶ Dealing with unsecured creditor enquiries;
- ▶ Determining the outcome for unsecured non-preferential creditors, including calculating potential subrogated claims across the Petrostem and PPG Groups.
- ▶ Ensuring all statutory reporting and compliance obligations are met; and
- ▶ Finalising the Administration, including payment of all Administration liabilities.

6.3 The end of the Administration

Following the extensions of the Administration of the Company as noted in paragraph 1.2 above, the Administration will end on 28 August 2025, although this period can be further extended by an application to Court.

It is proposed that the Administration will end either through a subsequent Liquidation or via Dissolution depending on whether there are any assets remaining at the end of the Administration.

As detailed at section 3.4 above, the Joint Administrators are currently in the process of determining the outcome for unsecured non-preferential creditors. Should funds become available, the Joint Administrators will consider whether the funds should be distributed in the Administration (which will require an application to Court) or whether the Company should move into Liquidation. We will write to all to unsecured non-preferential creditors with details of any further distributions in due course.

6.4 Matters to be brought to the attention of the Joint Administrators

If there are any matters concerning the Company's affairs which you consider may require investigation, please forward the details to me in writing as soon as possible.

6.5 Reporting

I will report to you again at the conclusion of the Administration or in six months' time, whichever is the sooner.

The report will be made available on the following website:
<https://www.ey.com/uk/en/services/transactions/restructuring/ey-ppg-petrostem-insolvencies>

Should you wish to discuss any aspect of this report, please contact Alastair Casey on +44 (0) 141 226 9320.

Yours faithfully
for the Company



Kris Aspin
Joint Administrator

K S Aspin and G D Yuill are licensed in the United Kingdom to act as Insolvency Practitioners by The Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, K S Aspin and G D Yuill, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix A Statutory information

Company Information

Company Name:	Petroleum Pipe Company Limited - in Administration
Registered Office Address:	c/o Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Registered Number:	03022675
Date of incorporation:	16 February 1995
Trading Name(s):	n/a
Trading Address(es):	9-11 Grosvenor Gardens, London, SW1W 0BD Morgan Properties, 7 Queens Garden, Aberdeen

Details of the Joint Administrators and of their appointment

Administrators:	Gavin David Yuill
IP number:	14218
Date of Appointment:	29 August 2018
By Whom Appointed:	The appointment was made by the Company's Directors
Court Reference:	High Court of Justice, Business and Property Courts of England and Wales: CR-2018-007196

Administrators:	Kristopher Stewart Aspin
IP number:	25250
Date of Appointment:	19 June 2023
By Whom Appointed:	The appointment was made by the Court
Court Reference:	High Court of Justice, Business and Property Courts of England and Wales: CR-2023-003179

Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting jointly.

Statement concerning the EC Regulation

The EC Council Regulation on Insolvency Proceedings does apply to this Administration and the proceedings are main proceedings. This means that this Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

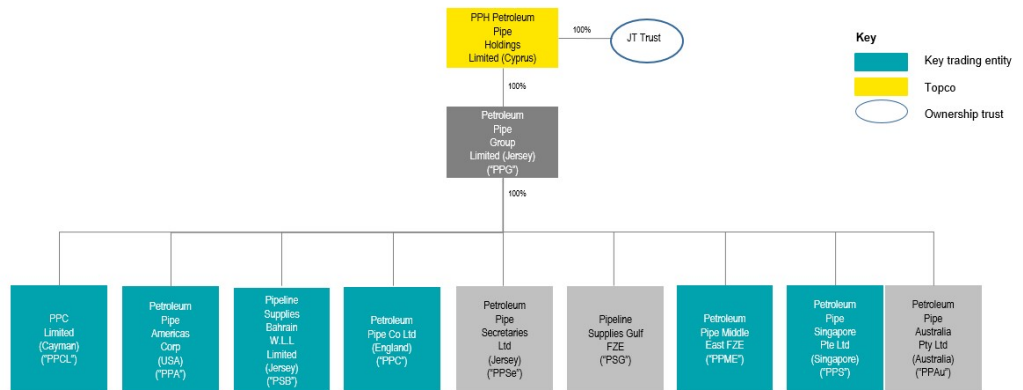
Share capital

Class	Authorised		Issued and fully paid	
	Number	\$000	Number	\$000
Ordinary (£1 translated to USD)	10,000,000	15,253	1,500,000	2,288

Directors and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
Richard Mark Farnfield	Director	20 September 2004	-	-
Richard Gordon Morrice	Director	18 April 2007	-	-
Andrew John Martin	Director	15 August 2003	15 September 2003	-
Petroleum Pipe Secretaries Limited	Company secretary	9 October 2008	-	-

Appendix B The PPG Group structure



Appendix C Joint Administrators' receipts and payments account for the period from 29 August 2018 to 28 August 2023

Estimated to realise as per Directors' Statement of Affairs		Period	Period	Total period
		29 August 2018 to 28 February 2023	29 February 2023 to 28 August 2023	29 August 2018 to 28 August 2023
US\$	Receipts	US\$		US\$
1,345	Cash at date of appointment	1,140		1,140
688,097	Pre-appointment debtors	1,708,536		1,708,536
51,670	Stock	71,964		71,964
183,728	VAT receivable	36,530		36,530
	Pre-appointment deposits	351,628		351,628
	Cancellation of exchange rate swap	191,991		191,991
	Recovery of IT costs	35,361		35,361
	Recovery of stock realisation costs	29,171		29,171
	Sale of IT equipment	43,497		43,497
	Bank Interest	678	451	1,129
	Balance on Administrators' trading account (see separate account)	160,411		160,411
	Distribution from Liquidation of Petrostem Rentals Ltd	264,448		264,448
	Distribution from Liquidation of Pipeline Supplies Bahrain WLL Ltd	8,471		8,471
	Total receipts	2,903,826	451	2,904,277
	Payments			
	Preferential creditors	35,645		35,645
	Administrators' fees and expenses	452,610		452,610
	Legal fees and expenses	173,682	40,608	214,290
	Stock agent's fees & commission	2,955		2,955
	Statutory advertising	110		110
	Storage costs	1,409		1,409
	Consultant's fees and expenses	56,640		56,640
	Corporation tax	1	9	10
	Irrecoverable VAT - Nigeria	1,463		1,463
	Bank charges	0	4	5
	Exchange rate (gain) / loss	-	323	323
	Distribution to secured creditor - Bank of Scotland plc	1,900,000		1,900,000
	Total payments	2,624,515	40,944	2,665,459
	Net Receipts / (Payments) for the period	279,311	(40,493)	238,818
	Represented by:			
	Bank balances			
	Royal Bank of Scotland	-		265,160
	Funds to due Petrostem Group Limited - Litigation Funding	-		(38,753)
	VAT recoverable	-		12,412
		-		238,818

Summary of Joint Administrators' trading account for the period from 29 August 2018 to 28 August 2023

	Period	Period	Total period
	29 August 2018 to 28 February 2023	29 February 2023 to 28 August 2023	29 August 2018 to 28 August 2023
	US\$		US\$
Receipts			
Trading sales	584,730		584,730
Total receipts	584,730	-	584,730
Payments			
Shipping / Freight charges	267,924		267,924
Wages / Salaries	64,522		64,522
Software licence	51,353		51,353
Insurance	43,285		43,285
Property costs - Office rent	2,186		2,186
Sundry expenses	234		234
Bank charges / exchange rate (gain)/loss	(5,185)		(5,185)
Total payments	424,319	-	424,319
Balance on Administrators' trading account	160,411	-	160,411

Notes

1. Certain payments have been apportioned between the four entities within the PPG Group which are subject to insolvency proceedings (e.g. where multiple entities utilise staff, yard space, etc. but are paid for by one entity). Further apportionment may, however, be required once final costs are known.
2. Receipts and payments are stated net of VAT or other applicable goods and services taxes.
3. These accounts do not reflect estimated future realisations or associated costs.
4. The following exchange rates have been applied to the above: GB£:US\$, 1.3; and US\$:AED, 3.673.
5. VAT recoverable includes payments made from the ring-fenced Litigation Funding account to our legal advisors in the UK and is being recovered by PPC UK on its behalf.

Appendix D Summary of Joint Administrators' expenses incurred for the period from 29 August 2018 to 28 August 2023

Payments made from the estate which are not disbursements (see notes at the end of this table)

\$	Estimate Dated 19 October 2018	Paid to 28 August 2023	Outstanding	Total ¹
Shipping / freight charges	275,000	267,924	Nil	267,924
Employee costs	62,500	64,522	Nil	64,522
Motor & travel	2,500	234	Nil	234
Software license	21,000	51,353	Nil	51,353
Rent	150,000	2,186	Nil	2,186
Utility charges	4,000	Nil	Nil	0
Agents' fees	10,000	59,595	Nil	59,595
Legal fees	45,000	214,290	190,000	404,290
Storage	5,000	1,409	3,591	5,000
Insurance	25,000	43,285	Nil	43,285
Statutory costs	3,000	110	1,000	1,110
Bank charges ²	800	(4,858)	5,185	327
Corporation tax	1,500	10	1,499	1,509
Total	605,300	700,060	201,275	901,335

Notes

1. Total expenses above exclude expenses funded by the Third Party Funder. As noted above, following settlement of the potential litigation, the Joint Administrators are finalising the allocation of proceeds and costs between certain companies in the PPG Group and Petrostem Group. Details of the proceeds and costs attributable to the Company will be included in the next progress report.
2. Bank charges in the period to 28 February 2023 include foreign exchange (gains) / losses

Category 1 disbursements

\$	Estimate Dated 19 October 2018	Paid to 28 August 2023	Outstanding	Total
Accommodation and subsistence costs	5,000	1,293	1,207	2,500
Travel costs (excluding mileage)	2,000	1,159	200	1,359
Specific Bond	150	104	896	1,000
Postage and printing	500	54	302	356
Legal fees	-	-	1,667	1,667
Total	7,650	2,610	4,272	6,882

Category 2 disbursements

\$	Estimate Dated 19 October 2018	Paid to 28 August 2023	Outstanding	Total
Mileage	Nil	Nil	Nil	Nil
Totals	Nil	Nil	Nil	Nil

Notes

Statement of Insolvency Practice No.9 defines expenses as any payments from the insolvency estate which are neither an office holder's remuneration or a distribution to a creditor or member.

Expenses are divided into those that do not need approval before they are charged to the estate (Category 1) and those that do require prior approval (Category 2):

- ▶ Category 1 expenses are payments to persons providing the service to which the expense relates who are not an associate of the office holder
- ▶ Category 2 expenses are payments to associates or which have an element of shared costs.

Expenses also include disbursements. Disbursements are payments which are first met by the office holder and then reimbursed to the office holder from the estate. Disbursements fall into either Category 1 or Category 2.

Exceeding estimates of remuneration, disbursements and expenses

As required by the Rules, the Proposals included the Joint Administrators' estimate of remuneration, disbursements and expenses.

These estimates may be exceeded, in which case an explanation will be provided in the appropriate progress report. The Joint Administrators will only draw remuneration in excess of the estimate with the prior agreement of the approving body, in accordance with Rule 18.30 of the Insolvency (England and Wales) Rules 2016.

Appendix E Joint Administrators' time costs for the period from 29 February 2023 to 28 August 2023 and cumulative from 29 August 2018 to 28 August 2023

Joint Administrators' time costs for the period from 29 February 2023 to 28 August 2023

	Staff Grade							Total hours	Total cost \$	Average rate \$
	Partner	Associate Partner	Director	Assistant Director	Manager	Executive	Analyst			
Accounting and Administration	2.5	-	0.4	10.2	0.1	12.4	1.3	26.9	13,159.5	489.2
Bank & Statutory Reporting	-	-	3.9	7.0	-	12.9	-	23.8	11,439.5	480.7
Creditors	-	-	2.6	1.8	-	5.6	-	10.0	4,870.0	487.0
Debtors	-	-	4.1	-	-	-	-	4.1	2,870.0	700.0
Director Litigation	2.6	-	45.4	26.7	-	23.0	-	97.7	77,865.2	797.0
Immediate Tasks	-	-	-	-	-	-	1.0	1.0	210.0	210.0
Investigation/CDDA	-	-	(2.1)	(0.1)	-	-	-	(2.2)	(1,529.0)	695.0
Job Acceptance & Strategy	-	-	2.0	0.1	-	-	-	2.1	1,459.0	694.8
Statutory Duties	-	-	-	9.3	-	3.5	0.1	12.9	6,750.5	523.3
Stock and Fixed Assets	-	-	0.4	-	-	-	-	0.4	280.0	700.0
VAT & Taxation	-	-	-	2.3	-	12.1	-	14.4	5,652.5	392.5
Total hours	5.1	-	56.7	57.3	0.1	69.5	2.4	191.1		
Time costs (\$)	4,900.65	-	51,975.00	38,600.75	49.00	26,997.75	504.00		123,027.15	
Average hourly rate (\$)	960.9	-	916.7	673.7	490.0	388.5	210.0		643.8	

Note: Time previously charged to Investigation/CDDA has been reallocated to Director Litigation in the period of this report.

Joint Administrators' cumulative time costs for the period from 29 August 2018 to 28 August 2023

	Staff Grade							Total hours	Total cost \$	Average rate \$
	Partner	Associate Partner	Director	Assistant Director	Manager	Executive	Analyst			
Accounting and Administration	4.5	0.2	7.6	85.2	0.4	199.6	110.0	407.5	153,729.50	377.3
Bank & Statutory Reporting	58.4	-	40.3	353.5	-	17.5	26.0	495.7	298,379.50	601.9
Creditors	8.0	-	19.1	18.7	-	18.6	5.7	70.1	39,043.00	557.0
Debtors	9.0	-	32.5	111.6	-	2.5	1.0	156.6	97,386.50	621.9
Director Litigation	2.6	-	70.2	32.5	-	26.2	-	131.5	99,783.15	758.8
Employee Matters	-	-	3.3	13.3	6.5	14.0	0.3	37.4	18,375.00	491.3
Immediate Tasks	0.5	-	9.7	1.1	22.5	-	1.0	34.8	19,101.50	548.9
Investigation/CDDA	20.0	-	113.4	42.1	-	19.0	1.1	195.6	128,295.00	655.9
Job Acceptance & Strategy	-	-	9.7	0.1	-	-	-	9.8	6,849.00	698.9
Legal Issues	2.5	-	-	-	-	-	-	2.5	2,137.50	855.0
Other Assets	-	-	3.9	24.0	-	-	-	27.9	16,890.00	605.4
Other Matters	-	-	13.0	15.5	14.6	1.5	-	44.6	25,931.50	581.4
Property	-	-	-	11.3	-	3.0	0.8	15.1	7,900.00	523.2
Statutory Duties	2.0	-	4.2	39.0	12.9	48.4	7.6	114.1	52,759.00	462.4
Stock and Fixed Assets	-	-	2.2	7.9	29.9	9.0	0.9	49.9	24,236.00	485.7
Trading	-	-	2.7	57.6	0.4	-	6.4	67.1	37,414.00	557.6
VAT & Taxation	-	-	0.4	80.0	2.1	32.0	30.9	145.4	66,358.00	456.4
Total hours	107.5	0.2	332.2	893.4	89.3	391.3	191.7	2,005.6		
Time costs (\$)	92,452.65	140.00	244,825.00	531,899.75	43,757.00	141,236.75	40,257.00		1,094,568.15	
Average hourly rate (\$)	860.0	700.0	737.0	595.4	490.0	360.9	210.0		545.8	
Category 1 disbursements (\$)	4,323.83									
Category 2 disbursements (\$)	<u>4,323.83</u>									

Note: Time is charged in 6 minute intervals

Appendix F Joint Administrators' time costs for the period from 29 February 2023 to 28 August 2023 and a comparison with the fee estimate

	Per fee estimate			Actuals in this period			Total actuals to date		
	Total hours	Total cost	Average rate	Total hours	Total cost	Average rate	Total hours	Total cost	Average rate
Accounting and Administration	120.0	43,263.00	360.5	26.9	13,159.5	489.2	407.5	153,729.50	377.3
Bank & Statutory Reporting	95.0	51,728.00	544.5	23.8	11,439.5	480.7	495.7	298,379.50	601.9
Creditors	50.0	19,750.00	395.0	10.0	4,870.0	487.0	70.1	39,043.00	557.0
Debtors	90.0	45,490.00	505.4	4.1	2,870.0	700.0	156.6	97,386.50	621.9
Director Litigation	-	-	-	97.7	77,865.2	797.0	131.5	99,783.15	758.8
Employee Matters	33.0	16,275.00	493.2	-	-	-	37.4	18,375.00	491.3
Immediate Tasks	34.8	19,247.00	553.1	1.0	210.0	210.0	34.8	19,101.50	548.9
Investigation/CDDA	97.0	47,740.00	492.2	-	2.2	1,529.0	195.6	128,295.00	655.9
Job Acceptance & Strategy	-	-	-	2.1	1,459.0	694.8	9.8	6,849.00	698.9
Legal Issues	-	-	-	-	-	-	2.5	2,137.50	855.0
Other Assets	25.0	12,950.00	518.0	-	-	-	27.9	16,890.00	605.4
Other Matters	27.0	15,779.00	584.4	-	-	-	44.6	25,931.50	581.4
Property	45.0	22,400.00	497.8	-	-	-	15.1	7,900.00	523.2
Statutory Duties	90.0	42,675.00	474.2	12.9	6,750.5	523.3	114.1	52,759.00	462.4
Stock and Fixed Assets	118.0	60,465.00	512.4	0.4	280.0	700.0	49.9	24,236.00	485.7
Trading	40.0	20,625.00	515.6	-	-	-	67.1	37,414.00	557.6
VAT & Taxation	65.0	31,200.00	480.0	14.4	5,652.5	392.5	145.4	66,358.00	456.4
Total	929.8	449,587.00	483.5	191.1	123,027.15	643.8	2,005.6	1,094,568.15	545.8

Appendix G Joint Administrators' time costs - explanation of the work done and ongoing

Category of work	Status of work	Description of work done and ongoing
Accounting & Administration	▶ Ongoing	▶ Overall management of the case, treasury and accounting functions.
Bank and Statutory Reporting	▶ Ongoing	▶ Regular reporting to the Company's secured creditor. ▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report.
Creditors	▶ Ongoing	▶ Receipt and recording of creditor claims. ▶ Correspondence with creditors. ▶ Processing distributions to the secured and preferential creditors.
Debtors	▶ Ongoing	▶ Reviewing the Company's debtor's ledger, collating information on the outstanding balances and realising the book debts. ▶ Reviewing the amounts due by related parties, investigating how best to realise value from these balances and negotiating recoveries where possible including the LBD International and Lahor debts.
Employee Matters	▶ Completed	▶ Dealing with any employee enquiries. ▶ Processing employee claims.
Immediate Tasks	▶ Completed	▶ Completion of work streams requiring immediate attention following the appointments, in order to execute the strategy outlined in the Proposals.
Investigations	▶ Completed	▶ Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders". ▶ The Joint Administrators' reports on the conduct of the directors under the Company Directors Disqualification Act 1986. ▶ Challenging certain transactions that took place across both the PPG Group and Petrostem Group in the period prior to our appointment.
Legal Issues	▶ Ongoing	▶ Dealing with any ad hoc legal issues.
Other Assets	▶ Completed	▶ Realising value from the Company's other assets (excluding debtors, property, stock and fixed assets). ▶ Assessing, quantifying and seeking to realise value from assets not recorded in the management accounts of the Company at the date of appointment.
Property	▶ Completed	▶ Liaising with the landlords of the Company's offices and yards and exiting the properties when appropriate.
Statutory Duties	▶ Ongoing	▶ Completion of statutory requirements of the administrations, including notifications to creditors and members, advertising the appointment, reporting to creditors on a 6-monthly basis and at the conclusion of the administration together with appropriate filing at Companies House.
Stock and Fixed Assets	▶ Completed	▶ Marketing for sale the production tubing and casing stocks together with the negotiation and completion of sales thereafter.

Trading	▶ Completed	<ul style="list-style-type: none"> ▶ Reviewing outstanding customer orders and liaising with suppliers and customers thereto with a view to completing these orders where acceptable terms can be agreed and completion of the orders would support the strategy set out in the Proposals. ▶ Reviewing the pre-payments made to suppliers in connection with customer orders and negotiating recovery of these balances where possible. ▶ Managing staff to support the Joint Administrators in completion of their various duties.
VAT & Taxation	▶ Ongoing	<ul style="list-style-type: none"> ▶ Preparing corporation tax and VAT returns. ▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the administrations.

Appendix H Statement of Joint Administrators' charging policy for remuneration and disbursements pursuant to Statement of Insolvency Practice No.9

The Joint Administrators have engaged managers and other staff to work on the Administration. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the Company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on case-related matters is charged to a time code established specifically for this engagement. Time is recorded in units of six minutes. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown below:

Grade	Hourly rate (\$)	Equivalent hourly rate (£)
Partner	855	658
Executive Director / Director	700	538
Senior Manager	590	454
Manager	490	377
Senior (Level 3)	450	346
Senior (Level 1 / 2)	355	273
Analyst	210	162
Intern	185	142

Note: Equivalent hourly rate is based on exchange rate of £1 / \$1.30

Administrators' charging policy for disbursements

Statement of Insolvency Practice No.9 defines expenses as any payments from the insolvency estate which are neither an office holder's remuneration or a distribution to a creditor or member.

Expenses are divided into those that do not need approval before they are charged to the estate (Category 1) and those that do require prior approval (Category 2):

- ▶ Category 1 expenses are payments to persons providing the service to which the expense relates who are not an associate of the office holder
- ▶ Category 2 expenses are payments to associates or which have an element of shared costs.

Expenses also include disbursements. Disbursements are payments which are first met by the office holder and then reimbursed to the office holder from the estate. Disbursements fall into either Category 1 or Category 2.

It is our policy to disclose Category 1 disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as may reasonably be required to support the disbursements drawn. It is our policy, to seek approval for Category 2 disbursements before they are drawn.

Details of Category 1 or Category 2 Expenses incurred to date are included at Appendix D.

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